GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3024
ANSWERED ON:07.12.2001
RECOMMENDATIONS OF Y.V. REDDY COMMITTEE ON SMALL SAVINGS
ANANTRAO GUDHE;C. SREENIVAASAN;CHARAN DAS MAHANT;M.H. AMBAREESH;PUTTASWAMY GOWDA;RAM JEEVAN SINGH;SUBODH MOHITE;T.T.V. DHINAKARAN;TARACHAND BHAGORA

Will the Minister of FINANCE be pleased to state:

(a) whether Y. V. Reddy committee have been made certain recommendations with regard to small savings;

(b) if so, the salient features thereof;

(c) the reaction of the Government thereto;

(d) whether the Government are further planning to slash interest rates of small savings;

(e) if so, the reasons therefor; and

(f) the steps taken to safeguard the interests of small investors and State Government who generate funds through these sources for their development works ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) Yes, Sir.

(b) Main recommendations of the Committee are as under:

(i) The present system of direct management of long term funds by the public sector and fixing administered rates of interest with tax concessions not being sustainable in the medium term, should be transformed into a system of fully funded long term savings schemes managed independently and professionally, aimed at promoting growth and meeting genuine investment demands in the economy.

(ii) In the transition period, as an interim measure, interest rates on small savings schemes be benchmarked mainly to the rates of average secondary market yields on Government securities.

(iii) Transfer of the entire net collections to the States from 1.4.2002 instead of 80% to States and 20% to the Centre as at present. The Central and State Governments should jointly repay the outstanding small savingsliabilities as of March, 2002, apportioned in accordance to their respective shares.

(iv) Withdrawal of all tax concessions on short and medium term financial savings (maturity not more than 6 years). With regard to long term savings, tax concessions at the time of accrual may be provided @ 20% on investment upto Rs. 60,000.

(c) The Committee has suggested `a wider debate on various issues involving all stakeholders and wider consultations (particularly with the States) in respect of the Committee`s recommendations regarding small savings.` The Report of theCommittee has accordingly been made available on the official website of the Ministry of Finance for access by State Governments, members of public and all other interested persons for their comments / views, if any, on the recommendations of the Committee to the Ministry of Finance.

(d) &(e)There is no proposal under consideration of the Government to revise the rates of interest on various small savings schemes at present. The Committee`s Report will provide an input into Government`s approach on this issue.

(f) Steps are taken by the Government from time to time for continued and enhanced mobilisation of resources through small savings schemes. 80% of this net collection is transferred to State Governments and the benefit of reduced interest rates on small savings schemes is passed on to the State Governments from time to time. The interests of the small investors are also safeguarded by offering implicit guarantee, attractive returns, tax benefits, liquidity and accessibility in regard to the small savings schemes.